DOCUMENT RESUME

ED 286 975 UD 025 809

TITLE The Aid to Families with Dependent Children Program in Wisconsin: Staff Brief 86-15.
INSTITUTION Wisconsin State Legislative Council, Madison.
PUB DATE 17 Sep 86
NOTE 47p.
PUB TYPE Reports - Research/Technical (143)

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS Children; Criteria; Economic Progress; *Eligibility; Health Services; Incentives; One Parent Family; Poverty; *Public Policy; *Welfare Recipients; *Welfare Services
IDENTIFIERS *Aid to Families with Dependent Children; *Wisconsin

ABSTRACT

Information on the Aid to Families with Dependent Children (AFDC) program in Wisconsin is provided in this document. Part 1 is a summary of the history, administration, and funding of the program. In Part 2, various elements of the AFDC program are described. These include eligibility requirements, grant calculation, work requirements, and medical assistance benefits. Other relevant data, such as recipient characteristics are presented in Part 3. This brief is a background document to a study of disincentives that keep persons with children from obtaining employment and achieving economic self-sufficiency. Sixteen tables contain statistics on policy; expenditures; and family size, ethnicity, and education of program participants. (Author/VM)

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THE AID TO FAMILIES WITH DEPENDENT CHILDREN PROGRAM IN WISCONSIN

STAFF BRIEF 86-15

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State Capitol

September 10, 1986
(Revised September 17, 1986)
Madison, Wisconsin

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Wisconsin Legislative Council Staff — Madison, Wisconsin

Special Committee on Employment Disincentives — September 10, 1986 (Revised September 17, 1986)

STAFF BRIEF 86-15*

THE AID TO FAMILIES WITH DEPENDENT CHILDREN PROGRAM IN WISCONSIN

INTRODUCTION

This Staff Brief was prepared for the Legislative Council's Special Committee on Employment Disincentives. The Committee was established by the Legislative Council, pursuant to a July 11, 1986 letter from Speaker Tom Loftus.

The Special Committee was directed to study disincentives that keep persons with children from obtaining employment and achieving economic self-sufficiency, including an examination of: the impact of the loss of Aid to Families with Dependent Children (AFDC) benefits and other public assistance benefits; a lack of affordable child care and full-day and four-year old kindergarten; and employment patterns which negatively affect participation in the work force by persons with children.

This Staff Brief provides background information on the AFDC program in Wisconsin and is organized as follows:

Part I summarizes the administration and funding of the AFDC program.

Part II describes various elements of the AFDC program, including eligibility requirements, grant calculation, work requirements and Medical Assistance benefits.

Part III discusses relevant data on the AFDC program, including characteristics of Wisconsin AFDC recipients and caseload and payment data and describes a current study by the Wisconsin Expenditure Commission's Welfare Magnet Study Committee.

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*This Staff Brief was prepared by Pam Shannon, Staff Attorney, Legislative Council Staff.

PART I

ADMINISTRATION AND FUNDING OF THE AFDC PROGRAM

A. BACKGROUND

The Aid to Dependent Children (ADC) program was created as part of the Federal Social Security Act of 1935, in response to the severe hardships of the Depression. At that time, the program was designed to provide cash grants to assist the states in caring for poor children who had no father in the home.

In establishing the ADC program, the federal government, for the first time, assumed responsibility for directly helping states to provide for the needs of children deprived of parental support due to death, desertion or incapacity. It also laid the foundation for caring for needy children in their own homes or in the homes of relatives, rather than in institutions, as had been the former practice.

In 1950, ADC eligibility was broadened to permit inclusion of one needy adult relative in the dependent child's home as a recipient and the program was renamed the Aid to Families with Dependent Children program. Initially, widows and their children made up a significant portion of the AFDC caseload. However, as coverage under the Social Security survivor's benefits program broadened, the number of widowed families needing AFDC benefits was greatly reduced and families of divorced and unmarried persons grew as a portion of the AFDC caseload.

In 1961, states were given the option of extending the definition of "deprivation," under AFDC, to include parental unemployment. This allowed states to offer AFDC benefits to certain intact families for the first time. The portion of the AFDC program which provides grants to intact families with one or more unemployed parent is known as the "AFDC-Unemployed Parent Program" (AFDC-U). Wisconsin is one of 25 states which operate an AFDC-U program. The portion of the AFDC program which serves families in which a parent is absent from the home or incapacitated is referred to as "AFDC-Regular" (AFDC-R).

The AFDC eligibility requirements for AFDC-R and AFDC-U families are described in Part II, A, of this Staff Brief.

B. ADMINISTRATION

From its inception, the AFDC program has been administered by the various states under broad federal guidelines and program requirements. At the federal level, the agency with oversight responsibility for the AFDC program is the Office of Family Assistance in the Social Security Administration of the U.S. Department of Health and Human Services (DHHS). At the state level, the program is administered by the Bureau of Economic Assistance in the Division of Community Services of the Wisconsin Department of Health and Social Services (DHSS).

Federal statutory provisions governing the AFDC program are found in 42 U.S.C. ss. 601 to 645 and federal regulations governing the program are found in 45 C.F.R. ss. 232.10 to 282.48. In Wisconsin, ss. 49.19 to 49.41, Stats., set forth state statutory requirements for the AFDC program and ch. HSS 201, Wis. Adm. Code, sets forth administrative rules of the DHSS governing the program.

The Federal DHHS has established certain regulations governing program eligibility and other substantive program areas. However, the states have some flexibility in setting eligibility criteria and benefit payment levels, as well as flexibility over certain other substantive policy areas. Table 1, Major Federal Program Requirements and Corresponding Wisconsin Policy, summarizes (1) major federal AFDC program policies which permit state discretion and (2) the corresponding Wisconsin administrative policy which implements the federal requirement.

TABLE 1

MAJOR FEDERAL PROGRAM REQUIREMENTS AND CORRESPONDING WISCONSIN POLICY

FEDERAL REQUIREMENT	CORRESPONDING WISCONSIN POLICY
1. States may choose to provide AFDC eligibility to families with two parents in the home, if the child is deprived of support due to the unemployment of a parent.	1. Wisconsin provides assistance to this category of family in the form of AFDC-U.
2. States are required to share in financing the program and may require local financial participation.	2. Wisconsin counties do not contribute funds toward the payment of benefits.
3. States must establish a financial standard of need which represents basic needs recognized as essential for living and must uniformly apply it to all applicants and recipients.	3. Wisconsin's standard of need is based on the U.S. Bureau of Labor Statistics lower income standard of living budget.
4. Eligibility of pregnant women may begin in the sixth month of pregnancy, with states providing a special needs payment in addition to the appropriate family-size allowance.	4. Wisconsin provides AFDC eligibility to pregnant women beginning with their seventh month of pregnancy. In addition to the grant amount, upon confirmation of the pregnancy, pregnant women receive a monthly $71 special needs allowance and are eligible for services under the Medical Assistance program.
5. States must limit the allowed financial resources of recipients to no more than $1,000. A home of any value is exempt, as is one automobile with an equity value of up to $1,500.	5. Wisconsin has an asset limit of $1,000, exempting a home of any value and one automobile with an equity value of up to $1,500. The equity value beyond $1,500 is counted against the $1,000 asset limit.
6. States are required to collect monthly financial reports, with some exceptions.	6. Wisconsin exempts cases with no earned income from monthly financial reporting.
7. States are required to have a work program available to AFDC recipients. States may require participation in a Community Work Experience Program (CWEP), a work incentive demonstration program (WIN-demonstration), a work supplementation program or a work incentive (WIN) program.	7. Wisconsin requires certain AFDC recipients to participate in the Wisconsin Employment Opportunities Program (WEOP), a WIN-demonstration program. The Legislature recently mandated creation of a work experience and job training pilot program to be operated in conjunction with the WEOP in selected counties.
8. States may extend the definition of "dependent child" to those under age 19 who are expected to complete high school or vocational school before reaching age 19.	8. Wisconsin provides eligibility to those under age 19 who are expected to complete school before age 19.
9. States may include the value of food stamps and housing subsidies as income when determining the AFDC benefit level.	9. Wisconsin does not include the value of other assistance in determining the benefit level.

SOURCE: Based on Legislative Fiscal Bureau (LFB) paper, Aid to Families with Dependent Children, State of Wisconsin, January, 1985, as updated by LFB Staff.

C. FUNDING

The AFDC program is funded by a combination of federal and state funds. The level of federal financial participation in the aids portion of the program is determined by comparing Wisconsin's per capita income to the national per capita income. Under federal law, the federal share of the funding may range from a minimum of 50% to a maximum of 83%.

Prior to the beginning of each fiscal year, the federal government recalculates the amount of federal financial participation in the aids portion of the AFDC program, so that the percentage of support may change every October 1 for the succeeding federal fiscal year (October 1 to September 30). In federal fiscal year 1985-86, federal financial participation in the funding of Wisconsin's program was set at 57.54%, with the state's share being 42.46%. For federal fiscal year 1986-87, the federal financial participation will be 57.58% and the state share will be 42.42%. For the administration portion of the AFDC program, the federal government provides dollar-for-dollar matching funds to those expended by state or local governments on AFDC program administration (i.e., 50% federal; 50% state or local).

Table 2, below, Annual Federal and Wisconsin AFDC Benefits Expenditures, 1977-78 to 1986-87, shows the total annual federal and state AFDC benefits expenditures for state fiscal years 1977-78 through 1986-87. The Table also gives the federal-state percentage share for each year.

Table 2 shows that, over the past 10 years, federal expenditures for Wisconsin AFDC benefits increased by $191,050,500, an increase of 138.3%. In the same period, state expenditures for AFDC benefits increased by $147,808,500, an increase of 156.1%. The federal percentage share of benefits expenditures was highest in 1977-78, at 59.33%, and lowest in 1982-83, at 56.87%.

TABLE 2

ANNUAL FEDERAL AND WISCONSIN AFDC
BENEFITS EXPENDITURES, 1977-78 TO 1986-87

FISCAL YEAR	FEDERAL SHARE (DOLLARS)	FEDERAL SHARE (PERCENTAGE)	STATE SHARE (DOLLARS)	STATE SHARE (PERCENTAGE)	TOTAL (DOLLARS)
1977-78	$138,115,800	59.33%	$ 94,693,000	40.67%	$232,808,800
1978-79	$137,936,800	58.00%	$ 99,885,300	42.00%	$237,822,100
1979-80	$154,478,200	58.03%	$111,820,100	41.97%	$266,238,300
1980-81	$196,479,700	58.01%	$142,278,400	41.99%	$338,758,000
1981-82	$221,309,700	58.37%	$157,876,300	41.63%	$379,186,000
1982-83	$230,145,200	56.87%	$174,541,300	43.13%	$404,686,500
1983-84	$274,531,400	56.88%	$208,203,600	43.12%	$482,735,000
1984-85	$284,477,600	57.55%	$209,922,100	42.45%	$494,399,700
1985-86	$316,244,500	57.54%	$233,363,600	42.46%	$549,608,100
1986-87*	$329,166,300	57.58%	$242,501,500	42.42%	$571,667,800

*Estimated.

SOURCE: Based on LFB paper, Aid to Families with Dependent Children, State of Wisconsin, January 1985, as updated by LFB staff.

PART II

ELEMENTS OF THE AFDC PROGRAM

A. ELIGIBILITY REQUIREMENTS

1. Nonfinancial Eligibility Criteria

Nonfinancial eligibility provisions of federal law require a family to meet certain criteria [see 45 C.F.R. s. 233.10 (b) and (ii) (a) and (b)]. To qualify for the AFDC-R program, a family must include a child who is deprived of parental support or care by reason of the death, continued absence from the home or physical or mental incapacity of a parent. Single pregnant women who have no other children are also eligible for AFDC-R payments if they meet the financial eligibility criteria discussed in Item 2, below. Federal regulations permit states to provide AFDC to these women if the woman is at least in the sixth month of pregnancy. In Wisconsin, payments may begin in the seventh month of a medically-verified pregnancy.

To qualify for aid under the AFDC-U program, a family must include a needy child who is deprived of parental support or care by reason of the unemployment of one or both parents. In addition, both of the parents must reside in the child's home and one of the parents must be designated as the principal wage earner for the family. The principal wage earner is defined as the parent who earned the greater amount of income in the 24-month period that ended at the end of the month preceding the month of application for AFDC. The principal wage earner must either be: (a) out of work and collecting any unemployment compensation to which he or she is entitled; or (b) working less than 100 hours a month. The principal wage earner must also have worked six out of the last 13 calendar quarters, ending within one year prior to the month of application.

2. Financial Eligibility Criteria

Financial eligibility for AFDC is determined based on the consideration of the applicant's assets and by a comparison of the applicant's income with a state established standard of financial need. Under Wisconsin's AFDC program, assets available to the child, including such items as parents' savings and checking accounts and other cash, may not exceed $1,000. A home of any value is exempt from the asset limitation. A motor vehicle owned by someone in the family is also exempt, if the equity value (fair market value minus the amount owed) is less than $1,500. If the equity value of a vehicle exceeds $1,500, the amount in excess is considered in the determination of assets.

Federal regulations require each state administering an AFDC program to establish a "standard of need" which is used as a basis for determining AFDC financial eligibility within that state [45 C.F.R. s. 233.20 (2)]. The state must specify a statewide standard, expressed in dollar amounts, to be used in determining both the financial need of applicants and recipients and the amount of the assistance payment. The standard of need is the amount of dollars a state deems essential to meet a minimal standard of living for a family of a specified size. In general, the standard provides for basic consumption items, such as food, clothing, shelter, fuel and utilities, personal care items and household supplies.

Since the 1975-77 biennium, the AFDC standard of need in Wisconsin has been based on the Federal Bureau of Labor Statistics' (BLS) lower standard of living budget for a four-person family. However, the Wisconsin standard of need excludes from the BLS budget certain items, such as taxes, medical care and life insurance. These items are excluded because they are not generally incurred as expenses by an AFDC family. In fiscal years 1975-76 and 1976-77, the 1974 BLS budget was used. In fiscal years 1977-78 and 1978-79, the 1976 BLS budget was used.

Since 1979-80, the 1977 BLS lower standard of living budget for a family of four has been used as the basis for calculating the annually-adjusted state standard of need. In 1979-80, the 1977 BLS budget was increased by 6.5% by the Wisconsin Legislature as part of the Biennial Budget process and the standard of need was applied to a five-member family rather than a four-member family, to reflect the conclusion by the Legislature that a Midwestern family did not need the same amount of money as a family in a larger urban area. Payment standards for other family sizes were then derived from this amount using the equivalency scale shown in Table 3, below, Equivalency Scale Used in Determining Annual Standard of Need in Wisconsin, by Family Size, 1980-81 to 1986-87.

Table 3 shows that the five-member family is used as the base figure (100% on the equivalency scale) for calculating the standard of need for other family sizes. The percentages shown in the equivalency scale column for the other family sizes are the percentages of the dollar amounts for the five-member family that the Legislature used in establishing the standard of need for other family sizes. For example, the standard of need ranges from 35% of the base for a one-member family to 133% for a 10-member family.

TABLE 3

EQUIVALENCY SCALE USED IN DETERMINING ANNUAL STANDARD OF NEED IN WISCONSIN, BY FAMILY SIZE
1980-81 TO 1986-87

FAMILY SIZE	EQUIVALENCY SCALE (%)	STATUTORY ADJUSTMENTS IN STANDARD OF NEED							
		1979-80 --	1980-81 +7.5%*	1981-82 +6.5%	1982-83 +6.5%	1983-84 +2.0%	1984-85 +4.0%	1985-86 +2.0%	1986-87** +1.0%
1	35%	$2,791	$3,001	$3,192	$3,408	$3,480	$3,624	$3,696	$3,732
2	62%	$4,945	$5,315	$5,664	$6,036	$6,156	$6,408	$6,540	$6,600
3	73%	$5,822	$6,258	$6,672	$7,104	$7,248	$7,536	$7,692	$7,764
4	87%	$6,938	$7,459	$7,944	$8,472	$8,640	$8,988	$9,168	$9,264
5	100%	$7,975	$8,573	$9,132	$9,732	$9,924	$10,320	$10,524	$10,632
6	108%	$8,613	$9,259	$9,864	$10,512	$10,728	$11,160	$11,388	$11,496
7	117%	$9,331	$10,030	$10,592	$11,388	$11,616	$12,084	$12,324	$12,444
8	124%	$9,889	$10,631	$11,340	$12,072	$12,312	$12,804	$13,056	$13,188
9	130%	$10,368	$11,145	$11,880	$12,648	$12,900	$13,416	$13,680	$13,812
10	133%	$10,607	$11,402	$12,156	$12,936	$13,200	$13,728	$14,004	$14,148

*The percentages shown are the annual inflationary percentage increases authorized by the Legislature.

**A 1% increase is authorized in Wisconsin Act 120 for the period April 1 to June 30, 1987. For the period July 1, 1986, to March 31, 1987, the standard of need is the same as for fiscal year 1985-86, because the Legislature did not authorize an inflationary increase for that time period.

SOURCE: Based on LFB paper, Aid to Families with Dependent Children, State of Wisconsin, January 1985, as updated by LFB staff.

The percentages shown under the dates of the statutory adjustments in Table 3 are the inflationary increases contained in Biennial Budget Acts and other acts for 1980-81 to 1986-87. The highest inflation adjustment was 7.5% in 1980-81 and the lowest was 1% for the last three months of 1986-87. Although Table 3 shows what application of the standard of need to a particular family size produces, in practice this amount is at least 15% higher than the maximum actual benefits paid, as required by statute [s. 49.19 (11) (a) 1 a, Stats.]. See Section B, below, for a further discussion of the method used to calculate the actual AFDC grant.

Table 4, Monthly AFDC Standard of Need in Wisconsin, by Family Size and Geographical Area, 1985-87, sets forth the monthly standard of need by family size and by the two AFDC payment areas of the state.

TABLE 4

MONTHLY AFDC STANDARD OF NEED IN WISCONSIN, BY FAMILY SIZE AND GEOGRAPHICAL AREA
1985-87

FAMILY SIZE	1985-86 STANDARD OF NEED MONTHLY		1986-87 STANDARD OF NEED			
			JULY 1986-MARCH 1987		APRIL 1987-JUNE 1987	
	AREA I	AREA II	AREA I	AREA II	AREA I	AREA II
1	$308	$298	$308	$298	$311	$301
2	$545	$528	$545	$528	$550	$533
3	$641	$620	$641	$620	$647	$626
4	$764	$742	$764	$742	$772	$749
5	$877	$852	$877	$852	$886	$861
6	$949	$920	$949	$920	$958	$929
7	$1,027	$997	$1,027	$997	$1,037	$1,007
8	$1,088	$1,057	$1,088	$1,057	$1,099	$1,068
9	$1,140	$1,106	$1,140	$1,106	$1,151	$1,117
10	$1,167	$1,132	$1,167	$1,132	$1,179	$1,143

SOURCE: Derived from s. 49.19 (11) (b) 1 a and b, Stats., as affected by 1985 Wisconsin Acts 29 and 120.

Area I consists primarily of those counties with a population of 70,000 or more. Payments in Area II counties, which have a population of less than 70,000, are 97% of the payments in Area I counties. [A list of counties and Indian tribes and bands in each of the two AFDC payment areas is contained in Appendix A to this Staff Brief.]

The dollar amounts for fiscal year 1985-86 are identical to the amounts for the first nine months of fiscal year 1986-87, because the Legislature repealed a previously enacted 2% inflationary benefit increase for fiscal year 1986-87. The Legislature did provide a 1% increase for the last three months of 1986-87.

As noted previously, the determination of financial eligibility for AFDC benefits is based in part on a comparison of the applicant's income with the standard of need established by the state. Federal law requires that the state apply two separate tests of financial eligibility, both of which must be satisfied in order for a new applicant to be eligible for AFDC benefits. [Only the 185% test described in the next paragraph is used for persons reapplying for AFDC within four months of having previously received AFDC benefits.]

The first test, called the "185% of the standard of need test," requires that the applicant's total income not exceed 185% of the state established standard of need for his or her family size. Total income includes both earned and unearned income of the family. Unearned income includes such payments as Social Security, general relief, child support and unemployment compensation. Earned income includes such items as salary or wages, self-employment income, an earned income tax credit (if received as part of a paycheck), in-kind income, room and board income and student loans and grants. For purposes of the "185% of the standard of need test," total income also includes child support and maintenance payments assigned to the state and some dependent student earnings [45 C.F.R. s. 201.28 (14)]. In Wisconsin, the term "gross income" is used to refer to this "total income."

Table 5, below, Monthly Determination of Eligibility Under the 185% of the Standard of Need Test in Wisconsin, by Family Size and Geographical Area, 1985-87, gives the monthly dollar amounts for the standard of need for each family size in the two AFDC areas of Wisconsin, as contrasted to the dollar amounts for 185% of the standard of need.

TABLE 5

MONTHLY DETERMINATION OF ELIGIBILITY UNDER THE 185% OF THE STANDARD OF NEED TEST IN WISCONSIN BY FAMILY SIZE AND GEOGRAPHICAL AREA, 1985-87

FAMILY SIZE	1985-86 STANDARD OF NEED		1986-87 STANDARD OF NEED (JULY 1986-MARCH 1987)		185% OF STANDARD JULY 1985-MARCH 1987		1986-87 STANDARD OF NEED (APRIL 1987-JUNE 1987)		185% OF STANDARD APRIL 1987-JUNE 1987	
	AREA I	AREA II	AREA I	AREA II	AREA I	AREA II	AREA I	AREA II	AREA I	AREA II
1	$308	$298	$308	$298	$570	$551	$311	$301	$575	$556
2	$545	$528	$545	$528	$1,008	$976	$550	$533	$1,017	$986
3	$641	$620	$641	$620	$1,186	$1,147	$647	$626	$1,196	$1,158
4	$764	$742	$764	$742	$1,413	$1,372	$772	$749	$1,428	$1,385
5	$877	$852	$877	$852	$1,622	$1,576	$886	$861	$1,639	$1,592
6	$949	$920	$949	$920	$1,756	$1,702	$958	$929	$1,772	$1,718
7	$1,027	$997	$1,027	$997	$1,900	$1,844	$1,037	$1,007	$1,918	$1,862
8	$1,088	$1,057	$1,088	$1,057	$2,013	$1,955	$1,099	$1,068	$2,033	$1,975
9	$1,140	$1,106	$1,140	$1,106	$2,109	$2,046	$1,151	$1,117	$2,129	$2,066
10	$1,167	$1,132	$1,167	$1,132	$2,159	$2,094	$1,179	$1,143	$2,181	$2,114

SOURCE: Derived from s. 49.19 (11) (a) 1, a and b, Stats., as affected by 1985 Wisconsin Acts 29 and 120.

The "100% of the standard of need test" involves the following computation. If a new AFDC applicant's income does not exceed 185% of the standard of need, and if the basic asset limitations are not exceeded, the person must also meet a federal financial eligibility requirement of 100% of the standard of need. The person's gross income, minus income spent for certain work-related expense items (known as "income disregards"), may not exceed 100% of the standard of need established by the state. These income disregards include:

a. A maximum of $160 per month per child for child care expenses, if a person is employed at least 30 hours a week; and a maximum of $120 per month per child if the person is employed less than 30 hours a week; and

b. A flat $75 per month for other work-related expenses, such as transportation, meals, uniforms and taxes, if a person works at least 30 hours a week; or if the person is employed less than 30 hours a week, the lesser of 18% of the person's gross income or $74 per month.

In addition to the deductions from earned income, certain other income is disregarded (i.e., deducted) from gross income to determine whether the person meets the 100% of the standard of need test. These disregards include (a) support payments ordered to be paid by a person in the AFDC group to a person who is not a part of the group and (b) certain income of two parents, in a household, which is used to support a child of theirs who is ineligible for AFDC [s. HSS 201.28 (15) (a), Wis. Adm. Code].

If the person's monthly income exceeds the standard of need for his or her family size, after the income disregards are deducted from the person's gross income, that person, his or her spouse and any children for whom they are legally responsible, are not eligible for AFDC benefits in that month. However, if the person's income is less than or equal to 100% of the standard, the person is eligible for AFDC benefits and a grant amount will be calculated by the method described in Section B, below. If the person's income, after applicable income disregards, exceeds the state standard of need, due to receipt of nonrecurring earned or unearned lump sum income, the person is considered ineligible for AFDC benefits for a period of time. That time period is calculated by dividing the sum of the lump sum income and other income by the state standard of need for a family which is the size of the person's family [45 C.F.R. s. 233.20 (a) (6) (ii) (F)].

In applying the 185% and 100% income eligibility tests, an applicant's income and assets are applied prospectively for the first two months of eligibility. That is, if an applicant applies for aid in January, income and assets expected to be available in January and February are used to determine eligibility (and, ultimately, the grant

amount) for the months of January and February. In late January, the applicant receives a monthly financial report from the local income maintenance agency to be filled out and returned to the agency, identifying the actual financial income and assets which were available in January. The information from the January monthly report is then used to calculate the grant amount for the month of March.

B. CALCULATION OF THE GRANT

A separate calculation is made to determine the actual amount of an AFDC grant which the family will receive, after an AFDC applicant meets the requirements of the (1) $1,000 asset limitation, (2) the 185% of standard test for gross income and (3) the 100% of standard test for gross income minus disregards. The particular calculation made for each family depends on whether the family has any earned income, any unearned income or no income at all, but the maximum amount that a family may receive is set by state statute at 85% of the state standard of need for a particular family size [s. 49.19 (11) (a) 1 a, Stats.].

Table 6, below, Monthly Maximum AFDC Payment Allowance Based on 85% of the Standard of Need in Wisconsin, by Family Size and Area, 1985-87, sets forth the maximum monthly AFDC payments which may be made, by family size, at 85% of the standard of need. This maximum "payment allowance" is also referred to as the maximum "monthly grant."

As with the full standard of need dollar amounts in Table 4, above, the maximum monthly payment allowances in Table 6 for the first nine months of fiscal year 1986-87 are the same as the payment allowances for 1985-86. The payment allowances for the final three months of 1986-87 reflect the 1% inflationary increase also applied to the full standard of need amounts for the same time period.

As noted above, the monthly payment allowances set forth in Table 6 represent the maximum AFDC monthly payment that a particular size family may receive. A family with neither earned nor unearned income in a particular month will receive the entire payment allowance as set forth in Table 6 for their family size. A family with earned or unearned income may receive less than the entire amount shown in Table 6.

TABLE 6

MONTHLY MAXIMUM AFDC PAYMENT ALLOWANCE, BASED ON 85% OF THE STANDARD OF NEED IN WISCONSIN BY FAMILY SIZE AND AREA, 1985-87

FAMILY SIZE	1985-86 PAYMENT ALLOWANCE		1986-87 PAYMENT ALLOWANCE (JULY 1986-MARCH 1987)		1986-87 PAYMENT ALLOWANCE (APRIL 1987 JUNE 1987)	
	AREA I	AREA II	AREA I	AREA II	AREA I	AREA II
1	$261	$253	$261	$253	$264	$255
2	$463	$448	$463	$448	$467	$453
3	$544	$527	$544	$527	$549	$532
4	$649	$630	$649	$630	$656	$636
5	$745	$724	$745	$724	$753	$731
6	$806	$782	$806	$782	$814	$789
7	$872	$847	$872	$847	$881	$855
8	$924	$898	$924	$898	$934	$907
9	$969	$940	$969	$940	$978	$949
10	$991	$962	$991	$962	$1,002	$971

SOURCE: Derived from s. 49.19 (11) (a) 1 a and b, Stats., as affected by 1985 Wisconsin Acts 29 and 120.

The monthly AFDC grant is calculated differently for a family with earned income than for a family with unearned income. First, for a family with earned income, federal law and regulations require certain income to be disregarded (or deducted) from gross income in determining the monthly grant amount. These so-called "earned income disregards," and the order in which they are considered, are as follows:

1. A flat $75 for work-related expenses.

2. Up to $160 per month per child of actual day care expenses (for a person employed 30 or more hours per month) or up to $120 per month per child (for a person employed less than 30 hours per month).

3. The first $30 of earned income and 1/3rd of the remainder of earned income for the month.

4. The first $50 of any child support payment received in the month.

The amount which results from subtracting the earned income disregards, in order, from gross earned income is known as the family's monthly "budgetable income." The budgetable income is then subtracted from the payment allowance for the appropriate family size (see 1985-87 monthly amounts set forth in Table 6); and the resulting amount is the AFDC monthly grant for that family.

It should be noted that the so-called "$30 and 1/3rd" disregards (Item 3, above) are used only for a limited period of time. The $30 disregard is subtracted from gross income for a period of 12 consecutive months. During the first four consecutive months, the 1/3rd remaining disregard is also subtracted. After these time periods have passed, those portions of the family's gross income are no longer disregarded in calculating the AFDC grant amount, which means that the grant amount will be smaller after those two time increments have elapsed. Also, with regard to the "30 and 1/3rd" disregards, a person who is removed from the AFDC program due to financial ineligibility (as opposed to voluntarily leaving the program) and does not receive benefits for one calendar month will be eligible for the "30 and 1/3rd" disregards for the entire 12-month and four-month periods if he or she again becomes eligible for AFDC benefits.

Prior to enactment of the Federal Omnibus Budget Reconciliation Act (OBRA) in 1981, there were no time limits on either the "$30" or the "1/3rd" disregard, nor was there a dollar limit on the child care deduction of $160 and $120 a month.

The following calculation illustrates the determination of a grant amount for a family size three with earned income in state fiscal year 1986-87, at two time intervals (1) before loss of any disregards and (2) after four consecutive months of earnings (at which point, the 1/3rd remaining disregard drops out):

	During First Four Months of Earnings	After Four Months of Earnings
Family Size Three	$641	$641
Standard of Need	x .85	x .85
Payment Allowance	$544	$544
Income Calculation		
Gross Earned Income	$400	$400
Work-Related Expense	- 75	- 75
Deduction	$325	$325
Child Care Expense	- 160	- 160
Deduction	$165	$165
$30 Disregard	- 30	- 30
	$135	$135
One-Third Remaining Disregard	- 45	- 0
Budgetable Income	$ 90	$135
Payment Allowance	$544	$544
Budgetable Income	- 90	- 135
Grant Amount	$454	$409

For a family with unearned income, the actual amount of that unearned income is considered the "budgetable income" (i.e., there are no disregards from unearned income) and is subtracted from the monthly maximum grant amount (see 1986-87 monthly maximum amounts in Table 6, above) to arrive at the family's AFDC grant for the month. The following calculation illustrates the determination of a grant amount for a family size three with no earned income, but with unearned income, in 1986-87:

Family Size Three Standard of Need	$641
	x .85
Payment Allowance	$544
Income Calculation	
Gross Earned Income	-0-
Unearned Income (Unemployment Compensation)	+ 200
Budgetable Income	$200
Payment Allowance	$544
Budgetable Income	- 200
Grant Amount	$344

C. WORK REQUIREMENTS

Federal law requires the states to provide, and certain AFDC recipients to participate in, job placement and training activities. Federal law allows states to meet this requirement through various types of work programs. Since September 1983, Wisconsin has met this federal requirement through a job placement program referred to as the Wisconsin Employment Opportunities Program (WEOP).

The WEOP is a work incentive (WIN) demonstration program administered by the State DHSS. As a demonstration program, the DHSS has discretion over the design and content of the program and there are no federal regulations directing how it is to be implemented. The DHSS contracts with the Wisconsin Department of Industry, Labor and Human Relations (DILHR) Job Service in 22 counties to provide a variety of job search activities, such as job clubs, on-the-job training, specialized training or classroom training, depending on the services available and the needs of the recipients. The following counties currently have Job Service contracts with DHSS:

Barron	Jefferson	Rock
Brown	Kenosha	Sheboygan
Chippewa	La Crosse	Washington
Dane	Manitowoc	Waukesha
Dodge	Marathon	Winnebago
Douglas	Milwaukee	Wood
Eau Claire	Outagamie	
Fond du Lac	Racine	

Under federal AFDC regulations, each AFDC applicant and recipient must register for WEOP, unless he or she is exempt under one of the following categories:

1. The person is under age 16.

2. The person is a full-time student under the age of 19 who is attending a secondary school or a program in a vocational or technical school that is equivalent to a secondary school and who is reasonably expected to complete such school or program before reaching age 19.

3. The person is ill and, on the basis of medical evidence, the illness or injury is serious enough to temporarily prevent entry into employment or training.

4. The person is incapacitated.

5. The person is 65 years of age or older.

6. The person resides outside of an area where work program services are offered.

7. The person is required to be in the home to care for another person with a physical or mental impairment.

8. The person is the caretaker of a child under six.

9. The person is the caretaker of a child in a home where another household member is registered for WEOP and has not failed or refused to participate in the program.

10. The person is working not less than 30 hours per week in unsubsidized employment.

Those AFDC recipients who are required to participate in a work program are referred to the local WEOP office by the local income maintenance agency. Currently, approximately 60% of "WEOP-mandatory" AFDC recipients are active participants in the program; the program lacks funding to accommodate the remaining 40%.

The local WEOP services may also be coordinated with the Federal Job Training Partnership Act (JTPA) programs, if any, in the area. The JTPA provides federal funding for employment and training services to economically disadvantaged individuals. The program emphasizes both public and private sector involvement at the local level and is administered locally through 17 service delivery area sites.

State law also allows localities to operate community work experience programs (CWEP's); however, to date, no county has chosen to implement this program. Under CWEP, AFDC recipients could be placed in on-the-job training positions in public or nonprofit organizations. Participants in CWEP could continue to receive their regular AFDC checks and would not be paid for their work, nor would they be considered employes of the agency where they work.

In November 1985, the Assembly Select Committee on Work Incentives was created to examine the effectiveness of the WEOP program and consider alternatives to the program. The Select Committee held 10 meetings between November 1985 and March 1986 and recommended legislation which became 1985 Wisconsin Act 285. The purpose of Act 285 is to create, on a pilot basis, a more comprehensive program to assist AFDC recipients in developing job search and employment skills. The goal of the pilot program is to reduce, to the extent possible under current federal constraints, the factors which create disincentives for AFDC recipients to become employed and self-sufficient. Factors perceived by the Select Committee as disincentives to employment of an AFDC recipient include: (1) lack of job skills; (2) the high unemployment rate; (3) out-of-pocket costs of employment, such as child day care, transportation and medical insurance; and (4) reduction or termination of AFDC benefits upon employment [Legislative Council Staff Information Memorandum 86-6, Work Experience and Job Training Program for Recipients of Aid to Families with Dependent Children (1985 Wisconsin Act 285), dated April 25, 1986].

Act 285 requires DHSS to implement a work experience and job training pilot program in conjunction with its current WEOP. The pilot program must include all of the following activities:

1. Enrollment, assessment and job search;

2. Subsidized employment;

3. Job training;

4. CWEP; and

5. Evaluation of the employment status of each participant.

The pilot program is to begin no later than January 1, 1987 and will be implemented in two or more counties, two of which must currently be providing services under WEOP. If more than two counties are selected by DHSS, at least one county must be a rural county which does not currently operate a WEOP. The Act requires DHSS to ensure that the pilot program is coordinated with programs under the JTPA and other job training programs.

The Department is currently promulgating administrative rules to govern the pilot programs.

D. MEDICAL ASSISTANCE BENEFITS

1. Federal Requirements

Title XIX of the Federal Social Security Act provides funds to states for a Medical Assistance program (also referred to as "MA" or "Medicaid") for AFDC families and other needy persons. In order to receive these funds, a state must submit a plan to the Secretary of the Federal DHHS for approval. The MA program is administered federally by the Health Care Financing Administration of the Federal DHHS.

Under federal law, there are two groups of persons who are "categorically eligible" [other than elderly, blind or disabled persons who receive Supplemental Security Income (SSI)] for the MA program. One group, persons who qualify for AFDC benefits, automatically are eligible to receive MA program benefits for the period of time they are AFDC recipients and, in certain cases, for a period of time following termination from the AFDC program. The other group includes any pregnant woman without any dependent children, who would be eligible for AFDC benefits if her child were born and living with her. These women are eligible for the MA program, if the pregnancy has been medically verified. Eligibility begins on the date pregnancy is verified or the date of application for MA benefits, whichever is later.

In addition to the "categorically eligible" group, certain other low-income persons may qualify for the MA program as "medically needy." These persons are those who are not eligible for AFDC or SSI, but who are unable to pay all of their medical costs due to limited income and assets. To be eligible as "medically needy" for the MA program, a person must be age 65 or older, under age 18 (or under 21 and living in an intermediate care facility, skilled nursing facility or inpatient psychiatric hospital) or permanently disabled, as defined by the Federal Social Security Administration. To be considered "medically needy," a person's net family monthly income and assets must not exceed certain levels specified by each state.

Federal regulations require that any state offering MA program benefits must provide minimum federally defined mandatory benefits. A state may choose to include other optional benefits designated by the federal government as eligible for federal funding. These mandatory and optional benefits are summarized below.

The federally mandated services include the following:

a. Physicians' services, with some exclusions.

b. Early and periodic screening and diagnosis of persons under 21 years of age and all medical treatment and dental services found necessary by the screening and diagnosis.

c. Rural health clinic services.

d. The following medical services, if prescribed by a physician:

--Inpatient hospital services, with some exceptions.

--Most outpatient services provided by a hospital.

--Skilled nursing home services other than in an institution for mental diseases.

--Home health services, or nursing services if a home health agency is unavailable.

--Laboratory and X-ray services.

--Family planning services and supplies.

--Nurse midwifery services.

The federally fundable optional services include the following:

a. Medical or remedial medical care by other licensed practitioners, such as podiatrists, optometrists, opticians, chiropractors, therapists and psychiatric social workers.

b. Private duty nursing services.

c. Clinic services.

d. Dental services.

e. Physical therapy, occupational therapy and services for individuals with speech, hearing and language disorders.

f. Prescribed drugs, dentures, prosthetic devices and eyeglasses.

g. Diagnostic, screening, preventive and rehabilitative services.

h. Intermediate care facility services.

i. Inpatient psychiatric hospital services for individuals under age 21 and over age 65.

j. Other medical or remedial medical care, such as transportation, services of Christian Science nurses and sanitariums, skilled nursing services for persons under age 21, emergency hospital services and personal care services.

k. Hospice care.

2. State Requirements

The MA program is administered in Wisconsin primarily by the Bureau of Health Care Financing in the Division of Health of the DHSS (the Bureau of Quality Compliance, also in the Division of Health, and the Bureau of Economic Assistance, in the Division of Community Services, have some responsibility for the MA program). The Wisconsin MA program provides two distinct benefit packages, one for those persons eligible for the program as "categorically needy" (including AFDC recipients) and another, less extensive package for those eligible as "medically needy."

The benefit package for categorically needy persons is a comprehensive package which includes all of the medical services mandated by the federal regulations and most of the federally fundable optional services (except podiatry and certain dental services). Persons eligible for the MA program as medically needy receive a more limited benefit package which includes all federally mandated benefits and some optional services. Medically needy MA recipients do not receive dental care, optometric services, outpatient psychotherapy, chiropractic care and certain other services. [See s. 49.46, Stats., for a list of all MA services.]

State law requires MA recipients to pay a portion of the costs for certain services. The amount of these "co-payments" depends on the type of service provided and, generally, range from 50¢ to $3 per service. The co-payment is collected directly by the provider of the service from the recipient. Co-payments are not required for services provided to nursing home recipients or to recipients who are less than 18 years of age. They are also not required for emergency services provided by hospitals and ambulances or from persons enrolled in a health maintenance organization (HMO), when the HMO provides the service. Services for which a co-payment is required include:

a. Hospital services (inpatient and outpatient).

b. Dental services.

c. Physician office visits (co-payment required only for six visits to a physician per calendar year).

d. Chiropractic services.

e. Optometric or optician services, including eyeglasses.

f. Nonemergency ambulance transportation services.

g. Physical and occupational therapy.

h. Speech, hearing and language disorder services.

i. Medical supplies and equipment, including hearing aids.

j. Drugs and disposable medical supplies.

k. Inpatient stays in institutions for mental diseases.

l. Medical day treatment services.

m. Other outpatient mental health services.

n. Rural health clinics.

o. Orthodontic services.

p. Hearing aids.

q. Early and periodic screening, diagnosis and treatment.

The Federal Deficit Reduction Act of 1984 (DEFRA) requires states to extend MA coverage for certain persons who lose their AFDC eligibility due to the termination of income disregards (described in Section A, above) for a period of nine months from the time the person becomes ineligible for AFDC. Formerly, states were required to extend MA to those persons for a period of four months following termination of benefits. Under DEFRA, states have the option of extending the period of coverage up to an additional six months, for a total extended coverage period of 15 months. 1985 Act 29 originally extended MA benefits for a period of 12 months to persons who lose their AFDC eligibility, due to termination of income disregards; however, this time period was reduced to nine months by 1985 Act 120.

The statutes set forth three different circumstances under which MA eligibility may continue for a period of time, after a person becomes ineligible for AFDC.

a. A four-month MA extension is given to all non-financially eligible household members when AFDC benefits terminate solely due to excess hours of work or earned income. One person must have been an AFDC recipient for at least three of the last six months prior to ineligibility. Earned income or work hours, but not unearned income, must have increased.

b. A four-month MA extension is given to all non-financially eligible household members who lose AFDC eligibility solely due to excess income and for whom child support collections are any part of that income. The family must have had an open AFDC case for at least three of the six months prior to losing eligibility.

c. A nine-month MA extension is given to all non-financially eligible household members who become ineligible for AFDC solely due to the loss of the "30 and 1/3rd" earned income disregard [s. 49.46 (1) (c), (cg) and (cm), Stats.].

In its 1987-89 biennial budget proposal to the Secretary of DHSS, the State Division of Health has recommended extending the period of MA eligibility from nine to 12 months for AFDC recipients who lose eligibility due to earned income. In its request, the Division of Health indicates that this extension of three months will help support individuals during a work transition period and will remove a disincentive to obtaining work at the cost of losing medical care coverage. The Division estimates that this change will add approximately 600 recipients to the MA program in state fiscal year 1988. The estimated cost of extending MA benefits for the three additional months to approximately 600 recipients is $96,800 state general purpose revenue (GPR) and $128,200 federal funds (FED) in the last six months of state fiscal year 1987-88 and $207,200 GPR and $274,800 FED in state fiscal year 1988-89.

PART III

DATA AND CURRENT STUDY ON AFDC PROGRAM

A. CHARACTERISTICS OF WISCONSIN AFDC RECIPIENTS

This portion of the Staff Brief discusses the characteristics of Wisconsin AFDC recipients. The social and demographic data on Wisconsin's AFDC population are taken from a recent report by the DHSS, AFDC Families in Wisconsin, Division of Policy and Budget, DHSS, June 1986 (hereinafter, "the DHSS report").

Generally, in Wisconsin, families headed by single women make up almost 75% of all AFDC families. The remaining 25% of AFDC cases are male-headed families, in which the father is either unemployed, incapacitated or the stepparent of the children in the AFDC household. Most of these male-headed households receive assistance under the AFDC-U program.

Information on the following characteristics of Wisconsin AFDC recipients is provided below: (1) age of caretaker-recipient; (2) age and number of children; (3) ethnic background; (4) level of education; and (5) length of time on AFDC.

Table 7, below, Age Distribution of AFDC Male and Female Caretaker Recipients in Wisconsin, January 1985, shows the percentage of female and male caretaker recipients in six age categories. A "caretaker recipient" is an AFDC family head and is usually the mother or father, but may be another relative.

As Table 7 indicates, in January of 1985, 11.7% of female-headed AFDC households were headed by a person age 20 or younger while 3.7% of male-headed AFDC households were headed by a person age 20 or younger.

TABLE 7

AGE DISTRIBUTION OF AFDC MALE AND FEMALE CARETAKER RECIPIENTS IN WISCONSIN, JANUARY 1985

AGE	FEMALES	MALES
17 or Younger	0.6%	0.1%
18-20	11.1%	3.6%
21-25	29.2%	21.4%
26-30	24.5%	24.5%
31-40	25.2%	32.0%
41 plus	9.4%	18.4%
TOTAL	100.0%	100.0%
TOTAL NUMBER OF CARETAKER RECIPIENTS	85,436	21,783

SOURCE: AFDC Families in Wisconsin, Division of Policy and Budget, DHSS, June 1986.

Families in Wisconsin with very young children are more likely to need AFDC benefits than are families who have only older children. Table 8, Age Distribution of Children in AFDC Households in Wisconsin, 1985, below, gives the percentage of AFDC-R and AFDC-U families in Wisconsin with children younger than six and without children younger than six, in 1985.

Table 8 shows that, in 1985, there was not a marked difference between AFDC-R and AFDC-U recipients in the percentage of young children in the household. As the Table shows, 62.5% of the AFDC-R families and 69.6% of the AFDC-U families had a child younger than six; while 37.5% of the AFDC-R and 30.5% of the AFDC-U had no children under six.

TABLE 8

AGE DISTRIBUTION OF CHILDREN IN AFDC
HOUSEHOLDS IN WISCONSIN, 1985

PERCENT WITH CHILDREN:	AFDC-R	AFDC-U
Younger than Six	62.5%	69.6%
None Younger than Six	37.5%	30.5%

SOURCE: AFDC Families in Wisconsin, Division of Policy and Budget, DHSS, June 1986.

Table 9, below, Total Number of Children in AFDC Households in Wisconsin, 1985, shows the total number of children in AFDC-R and AFDC-U families in Wisconsin in 1985. In general, AFDC-R families had fewer children than did AFDC-U families. Of all AFDC-R families, slightly over 75% had only one or two children; for AFDC-U families, the figure was slightly over 60%. Among AFDC-R households headed by a single woman in 1985, over 75% had only one or two children, while only about 60% of married couples, in both the AFDC-R and AFDC-U households, had only one or two children.

TABLE 9

TOTAL NUMBER OF CHILDREN IN AFDC HOUSEHOLDS IN WISCONSIN, 1985

NUMBER OF CHILDREN	FAMILY HEAD *			TOTAL
	SINGLE FEMALE	SINGLE MALE	MARRIED COUPLE	
AFDC-R				
1	46.4%	55.3%	27.6%	44.9%
2	30.1%	27.0%	32.5%	30.2%
3	14.9%	12.4%	21.1%	15.4%
4	5.8%	4.1%	11.7%	6.3%
5 PLUS	2.8%	1.3%	7.1%	3.2%
	100.0%	100.1%	100.0%	100.0%
TOTAL NUMBER OF FAMILIES	66,658	2,031	6,801	75,490
AFDC-U				
1	30.3%	58.8%	26.6%	26.8%
2	32.1%	29.4%	33.6%	33.5%
3	21.8%	0.0%	21.4%	21.4%
4	8.8%	5.9%	10.5%	10.5%
5 PLUS	7.0%	5.9%	7.9%	7.95%
	100.0%	100.0%	100.0%	100.1%
TOTAL NUMBER OF FAMILIES	532	17	16,725	17,274

*The family head is usually, but not always, included in the AFDC assistance group. These data include all family heads and all children living in the household, regardless of whether or not they are in the AFDC assistance group.

The AFDC-U families headed by a single female or a single male are families in transition from one program to another.

SOURCE: AFDC Families in Wisconsin, Division of Policy and Budget, DHSS, June 1986.

Table 10, Ethnicity Among AFDC Recipients in Wisconsin, 1961, 1967, 1977 and 1985, shows the ethnic makeup of Wisconsin's AFDC population for selected years. Table 10 shows that, in the 24 years between 1961 and 1985, the proportion of white AFDC recipients to the total AFDC caseload has declined from 74.7% to 60.1%. The population of black AFDC recipients has increased from 21.4% to 26.4% during the same period.

TABLE 10

ETHNICITY AMONG AFDC RECIPIENTS IN WISCONSIN, 1961, 1967, 1977 AND 1985

ETHNIC GROUP	WISCONSIN			
	1961	1967	1977	1985
White	74.7%	68.0%	71.2%	60.1%
Black	21.4%	27.4%	26.1%	26.4%
Native American	3.4%	3.5%	1.3%	3.0%
Asian	*	0.0%	0.7%	2.0%
Hispanic	*	*	*	4.0%
Other and Unknown	0.5%	1.1%	0.7%	4.5%
	100.0%	100.0%	100.0%	100.0%
TOTAL NUMBER OF FAMILIES	10,083	14,610	65,118	96,561

* Not used as a reporting category that year.

SOURCE: AFDC Families in Wisconsin, Division of Policy and Budget, DHSS, June 1986.

The DHSS report indicates that, in 1985, about 42% of female AFDC household heads under age 20 were nonwhite and that the overrepresentation of nonwhite teen AFDC caretakers, relative to their numbers in the

population, partly reflects the disproportionately larger number of nonwhites among all teen mothers (about 1/4th) and among unmarried teen mothers (about 1/3rd).

Table 11, Highest Grade of School Completed by Male and Female AFDC Caretaker Recipients in Wisconsin, January 1985, gives the percentage of male and female AFDC caretaker recipients in 1985 who completed various levels of education. The Table shows that the levels of education of male AFDC caretaker recipients (usually in the AFDC-U program) are similar to those of female caretaker recipients.

TABLE 11

HIGHEST GRADE OF SCHOOL COMPLETED BY MALE AND FEMALE AFDC CARETAKER RECIPIENTS IN WISCONSIN, JANUARY 1985

HIGHEST GRADE COMPLETED	CARETAKER RECIPIENTS	
	MALES	FEMALES
13 or Over	13.6%	12.3%
12	41.9%	43.7%
9 to 11	34.0%	39.2%
8	5.7%	2.8%
1 to 7	4.9%	2.0%
	100.0%	100.0%
TOTAL NUMBER OF CARETAKER RECIPIENTS	19,437	79,962

NOTE: Data is only for recipients. The designated male recipient caretaker may be the father, stepfather or another male relative; and the designated female caretaker may be the mother stepmother or another female relative.

SOURCE: AFDC Families in Wisconsin, Division of Policy and Budget, DHSS, June 1986.

According to the DHSS report, the percentage of Wisconsin AFDC mothers who completed some, but not all, of high school increased from 34% in 1961 to 39% in 1985. The percentage who graduated from high school increased from 25% in 1961 to 44% in 1985. In 1961, only 4% of female caretaker recipients had attended college, while 12% had in 1985.

Table 12, Length of Current Stay on AFDC of Recipient Families in Wisconsin, September 1985, gives the number and percentage of families on AFDC who, in September 1985, received grants for various lengths of time.

TABLE 12

LENGTH OF CURRENT STAY ON AFDC OF RECIPIENT FAMILIES IN WISCONSIN, SEPTEMBER, 1985

LENGTH OF TIME ON AFDC	PERCENTAGE OF AFDC FAMILIES
0-6 MONTHS	28.7%
7-12 MONTHS	13.6%
13-24 MONTHS	17.2%
25-36 MONTHS	11.6%
OVER 36 MONTHS	28.9%
TOTAL	100.0%
TOTAL NUMBER OF OPEN CASES	92,027

SOURCE: AFDC Families in Wisconsin, Division of Policy and Budget, DHSS, June 1986.

Table 12 shows that, of the total number of families receiving AFDC in September 1985 (92,027), 28.7% (26,412) had been continuously receiving AFDC for six months or less, 13.6% (12,516) had been receiving AFDC for seven to 12 months, 17.2% (15,828) for 13 to 24 months, 11.6% (10,675) for 25 to 36 months and 28.9% (26,596) for over 36 months.

According to the DHSS report, the majority of current Wisconsin AFDC families (71.1%) have been receiving aid for three years or less.

B. CASELOAD AND PAYMENT DATA

This Section of the Staff Brief discusses the level and growth of the Wisconsin AFDC program, both in terms of caseload growth and growth in the amount of benefits paid. The DHSS report, cited in Part III, A, above, reports that, nationally, the growth in the number of families receiving AFDC has paralleled a number of social, demographic and economic changes, including: (1) the increase in the number of women in their childbearing years and the number of female-headed families; (2) the increase in the unemployment rate; and (3) the increase in the number of children living in poverty.

Nationally, the number of AFDC families has risen from 0.8 million in 1960 to 2.6 million in 1970 and 3.7 million in 1984. The national AFDC caseload, as a percentage of the total United States population, increased from 4.6% in 1970 to 5.2% in 1975, then decreased steadily since that time to 4.6% in 1983.

In Wisconsin, the number of AFDC-R households, usually headed by single women, increased seven-fold from an annual average of 11,200 cases in 1967-68 to an annual average of 77,864 cases in 1985-86. [A case is a group of persons in a household who are receiving AFDC benefits.] The Wisconsin AFDC-U caseload growth has been more varied, as a result of fluctuations in the economy, but has grown from an annual average of 426 cases in 1967-68 to an annual average of 16,504 in 1985-86, or 39 times larger than the 1967-68 average.

Table 13, below, Average Number of AFDC Cases, Average Number of AFDC Recipients and Total Federal and State Benefit Expenditures in Wisconsin, 1976-77 to 1985-86, gives the following data for the Wisconsin AFDC program for the past 10 fiscal years:

1. Average number of AFDC cases.

2. Average number of program recipients.

3. Total federal and state benefit expenditures.

TABLE 13

AVERAGE NUMBER OF AFDC CASES, AVERAGE NUMBER OF AFDC RECIPIENTS AND TOTAL FEDERAL AND STATE BENEFIT EXPENDITURES IN WISCONSIN, 1976-77 TO 1985-86

STATE FISCAL YEARS	AVERAGE NUMBER OF AFDC CASES	AVERAGE NUMBER OF AFDC RECIPIENTS	TOTAL FEDERAL AND STATE BENEFIT EXPENDITURES IN WISCONSIN
1976-77	58,264	196,300	$228,183,200
1977-78	64,304	194,000	$232,808,800
1978-79	66,238	191,900	$237,822,100
1979-80	67,587	202,200	$266,238,300
1980-81	72,586	231,600	$338,758,000
1981-82	82,737	242,600	$379,186,000
1982-83	84,057	258,500	$404,686,500
1983-84	85,492	280,500	$482,735,000
1984-85	92,165	285,104	$494,399,700
1985-86	94,368	299,689	$549,608,100

SOURCE: Average number of AFDC cases, data from DHSS printout, Wisconsin AFDC Cases: 1966-85, March 14, 1986. Average number of AFDC recipients and total federal and state benefit expenditures based on LFB paper, Aid to Families with Dependent Children, State of Wisconsin, January 1985, as updated by LFB staff.

Table 13 shows that over the past 10 years, the average number of AFDC cases has grown from 58,264 to 94,368, an increase of approximately 62%. For the same time period, the average number of program recipients increased from 196,300 to 299,689, an increase of approximately 52.7%. The total federal and state benefit expenditures increased, in the same period, from $228,183,200 to $549,608,100, an increase of approximately 141%.

Table 14, Growth of AFDC Maximum Payment Allowance in Wisconsin, Compared to the Percentage Increase in the Federal Consumer Price Index-Urban (CPI-U), 1979-80 to 1985-86, compares the percentage increase in the maximum payment allowance to the percentage increase, in the same year, of the CPI-U. As discussed earlier, the maximum monthly AFDC grant that a family may receive is set by state statute at 85% of the state standard of need for a particular family size. This monthly maximum grant is called the "maximum payment allowance."

TABLE 14

GROWTH OF AFDC MAXIMUM PAYMENT ALLOWANCE IN WISCONSIN, COMPARED TO THE PERCENTAGE INCREASE IN THE FEDERAL CONSUMER PRICE INDEX-URBAN (CPI-U), 1979-80 TO 1985-86

COMPARED STATE FISCAL YEARS	PERCENTAGE OF GROWTH OF MAXIMUM MONTHLY PAYMENT ALLOWANCE	PERCENTAGE INCREASE IN CPI-U*
1979-80	6.5%	13.2%
1980-81	7.5%	10.7%
1981-82	6.5%	6.5%
1982-83	6.5%	2.4%
1983-84	2.0%	4.1%
1984-85	4.0%	3.6%
1985-86	2.0%	1.6%

*The CPI-U is a measure of the average change in prices over time in a fixed "market basket" of goods and services purchased by all urban consumers. The CPI-U percentage increase figures are based on the CPI-U for July of the fiscal year.

SOURCE: Percentage of growth in maximum monthly payment allowance data derived from s. 49.19 (11) (a) 1 b, Stats.

The CPI-U data is from the Federal Department of Labor, Bureau of Labor Statistics, CPI Monthly Report.

Table 14 shows that, in three of the fiscal years between 1979-80 and 1985-86, the percentage change in the CPI-U over the previous year exceeded the percentage change in the maximum AFDC payment allowance. In three of the years, the percentage change in the AFDC maximum payment allowance was greater than the percentage change in the CPI-U and, in one year, the percentage change in the CPI-U equaled that in the AFDC maximum payment allowance.

Table 15, Percentage Growth of AFDC Average Actual Grants in Wisconsin, Compared to the Percentage Growth of the Federal Consumer Price Index-Urban (CPI-U), 1981-82 to 1985-86, compares the percentage increase of the average actual monthly grant for three AFDC family sizes to the percentage increase in the federal CPI-U, for state fiscal years 1981-82 to 1985-86. Although AFDC grants are made for both smaller and larger families than those indicated in Table 15, two-member, three-member and four-member families are typical AFDC family sizes.

TABLE 15

PERCENTAGE GROWTH OF AFDC AVERAGE ACTUAL GRANTS IN WISCONSIN, COMPARED TO THE PERCENTAGE GROWTH OF THE FEDERAL CONSUMER PRICE INDEX-URBAN (CPI-U), 1981-82 TO 1985-86

STATE FISCAL YEARS	PERCENTAGE CHANGE IN AVERAGE ACTUAL GRANT			PERCENTAGE CHANGE IN CPI-U
	FAMILY SIZE 2	FAMILY SIZE 3	FAMILY SIZE 4	
1981-82	7.3%	3.1%	0.6%	6.5%
1982-83	0.9%	1.4%	1.3%	2.4%
1983-84	8.9%	9.5%	10.6%	4.1%
1984-85	5.0%	4.5%	4.7%	3.6%
1985-86	2.3%	2.1%	2.4%	1.6%

SOURCE: Percentage change in average actual grant data derived from monthly reports from the DHSS Computer Reporting Network.

The CPI-U data is from the Federal Department of Labor, Bureau of Labor Statistics, CPI Monthly Report.

Table 15 shows that, for three of the five years shown, the percentage change in the average actual grant for all three family sizes was higher than the percentage change in the CPI-U, while in one of the five years, the percentage change in the average actual grant for the three family sizes was lower than the percentage change in the CPI-U. In one of the five years, the percentage change for family size two was higher than the percentage change in the CPI-U, while the percentage change for family sizes three and four was lower than the percentage change in the CPI-U.

Table 16, Growth of Average Actual Monthly Grant Compared to Average Monthly Wage Earned, in Wisconsin, 1979-80 to 1985-86, compares the monthly average actual AFDC grants received by two-member, three-member and four-member AFDC households to the average monthly wages earned in Wisconsin in a similar period.

TABLE 16

GROWTH OF AVERAGE ACTUAL MONTHLY GRANT COMPARED TO AVERAGE MONTHLY WAGE EARNED, IN WISCONSIN, 1980-81 TO 1985-86

STATE FISCAL YEARS	AVERAGE ACTUAL MONTHLY GRANT			CAL-ENDAR YEARS	MONTHLY AVERAGE WAGE*
	FAMILY SIZE 2	FAMILY SIZE 3	FAMILY SIZE 4		
1980-81	$335.32	$402.98	$469.82	1981	$1,201.28
1981-82	$366.15	$415.07	$487.02	1982	$1,259.79
1982-83	$363.52	$421.82	$493.49	1983	$1,305.38
1983-84	$366.01	$441.98	$545.57	1984	$1,367.23
1984-85	$415.78	$482.88	$571.35	1985	$1,418.51
1985-86	$425.29	$498.17	$586.54	1986	$1,512.84 (est.)

*The average monthly wage is the average of both full-time and part-time wages for the calendar year which begins in the second half of the fiscal year. The wage information does not differentiate for different family sizes.

SOURCE: Average actual monthly grant data from monthly reports from the DHSS Computer Reporting Network. Average monthly wage data from unpublished information from the Unemployment Compensation Division, Department of Industry, Labor and Human Relations.

Table 16 shows that, over the past six years, the average actual monthly grant for a family size two remained approximately 28% of the average monthly wage. For a family size three, the average actual monthly grant remained about 33% of the average monthly wage and, for a family size four, the average actual monthly grant remained about 39% of the average monthly wage.

C. WISCONSIN EXPENDITURE COMMISSION STUDY

A study to determine whether AFDC recipients from other states are moving to Wisconsin for higher welfare benefits is currently being undertaken by the Welfare Magnet Study Committee of the Wisconsin Expenditure Commission. The Study Committee is composed of Commission members, county social services agency representatives, state agency staff and University of Wisconsin researchers. The study includes a statistical analysis of available migration data, as well as a survey of selected welfare recipients to determine why they moved to Wisconsin. The Study Committee's report is scheduled to be presented to the Governor on December 15, 1986.

A list of members of the Welfare Magnet Study Committee is attached to this Staff Brief as Appendix B.

PS:jc:las:md;kja

APPENDIX A

COUNTIES AND INDIAN TRIBES AND BANDS BY AFDC PAYMENT AREA

COUNTIES AND INDIAN TRIBES AND BANDS BY AFDC PAYMENT AREA

Area I

Brown
Dane
Dodge
Dunn
Eau Claire
Fond du Lac
Kenosha
LaCrosse
Marathon
Manitowoc
Milwaukee
Oneida Tribe
Outagamie
Ozaukee
Racine
Rock
St. Croix
Sheboygan
Washington
Waukesha
Winnebago
Winnebago Tribe*

Area II

Adams
Ashland
Bad River Band
Barron
Bayfield
Buffalo
Burnett
Calumet
Chippewa
Clark
Columbia
Crawford
Door
Douglas
Florence
Forest
Grant
Green
Green Lake
Iowa
Iron
Jackson
Jefferson
Juneau
Kewaunee
Lac Courte Oreilles Band
Lac du Flambeau Band
Lafayette
Langlade
Lincoln
Marinette
Marquette
Menominee
Menominee Tribe
Mole Lake Band
Monroe
Oconto
Oneida
Pepin
Pierce
Polk
Portage
Potawatomi Tribe
Price
Red Cliff Band
Richland
Rusk
St. Croix Band
Sauk
Sawyer
Shawano
Stockbridge-Munsee Tribe
Taylor
Trempealeau
Vernon
Vilas
Walworth
Washburn
Waupaca
Waushara
Winnebago Tribe**
Wood

*If residing on tax-free land in LaCrosse or Marathon Counties.
**If residing on tax-free land in counties other than LaCrosse or Marathon.

APPENDIX B

WISCONSIN EXPENDITURE COMMISSION

WELFARE MAGNET STUDY COMMITTEE

WISCONSIN EXPENDITURE COMMISSION

WELFARE MAGNET STUDY COMMITTEE

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